The DoD Budget Process

-What You Need to Know-

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Bottom Line, Up Front

- Budget controls are fixed well in advance of budget details (requirements)
- Given budget/deficit situation, only hard core requirements can compete & survive

Part 1

The Federal Budget Process

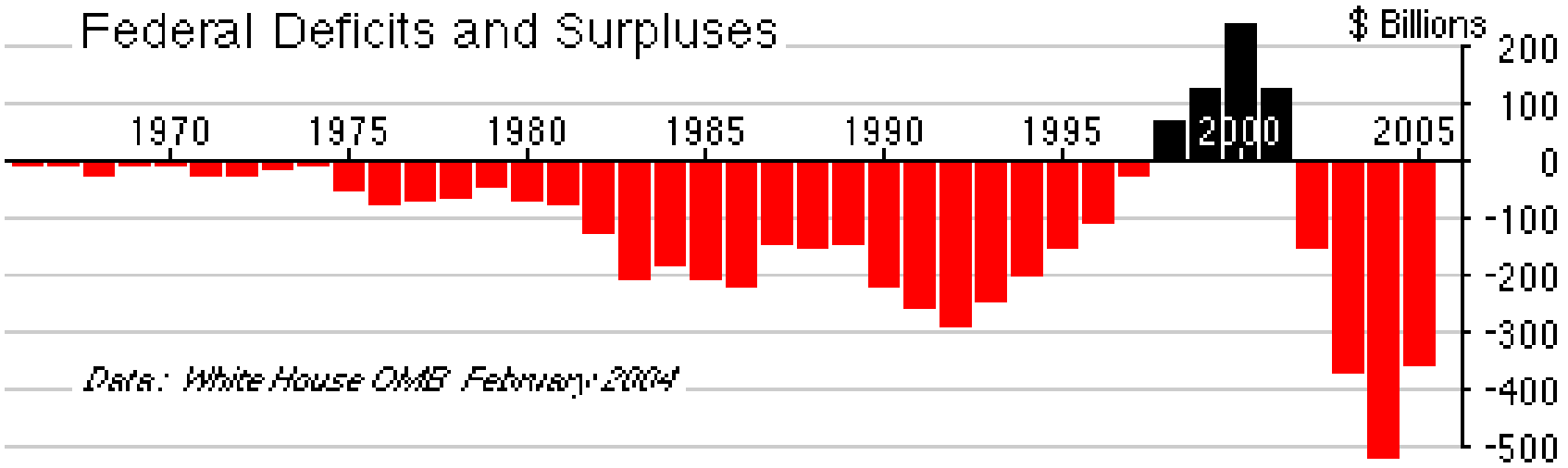
INCOME

– SPENDING

SURPLUS/DEFICIT

U.S. DEBT & DEFICITS

- Debt as of Sep 21 2005
  - **$7,927,365,439,078…$26K+ per person**
- Balanced Budget/Deficit Control Act of 1985
  - set deficit targets for 6 years
- Budget Enforcement Act of 1990
  - limited discretionary funding
  - required “pay-as-you-go”
- In 1998, President & Congress agreed to balance budget by end of 2002


Federal Deficits and Surpluses
$ Billions
200
100
0
-100
-200
-300
-400
-500
1970
1975
1980
1985
1990
1995
2000
2005
Data: White House OMB February 2004

BUDGET PROJECTIONS

In Billions of Dollars

	FY03	FY04	FY05	FY06	FY07
Income					
Spending					
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Deficit or Surplus	-375	-521	-364	-268	-241

BUDGET PROJECTIONS

In Billions of Dollars

	FY03	FY04	FY05	FY06	FY07
Income	1782	1798	2036	2206	2351
Spending					
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Deficit or Surplus	-375	-521	-364	-268	-241

BUDGET PROJECTIONS

In Billions of Dollars

	FY03	FY04	FY05	FY06	FY07
Income	1782	1798	2036	2206	2351
Spending	2158	2319	2400	2473	2592
Deficit or Surplus	-375	-521	-364	-268	-241

SPENDING by CATEGORIES

FY 2005

Category	Percent of Budget
Social Security	21%
Medicare/Medicaid	22%
Other entitlements	9%
Interest on debt	12%
Non-discretionary total	**64%**
Non-Defense Programs	19%
Defense	17%
Discretionary total	**36%**

Off the Table!

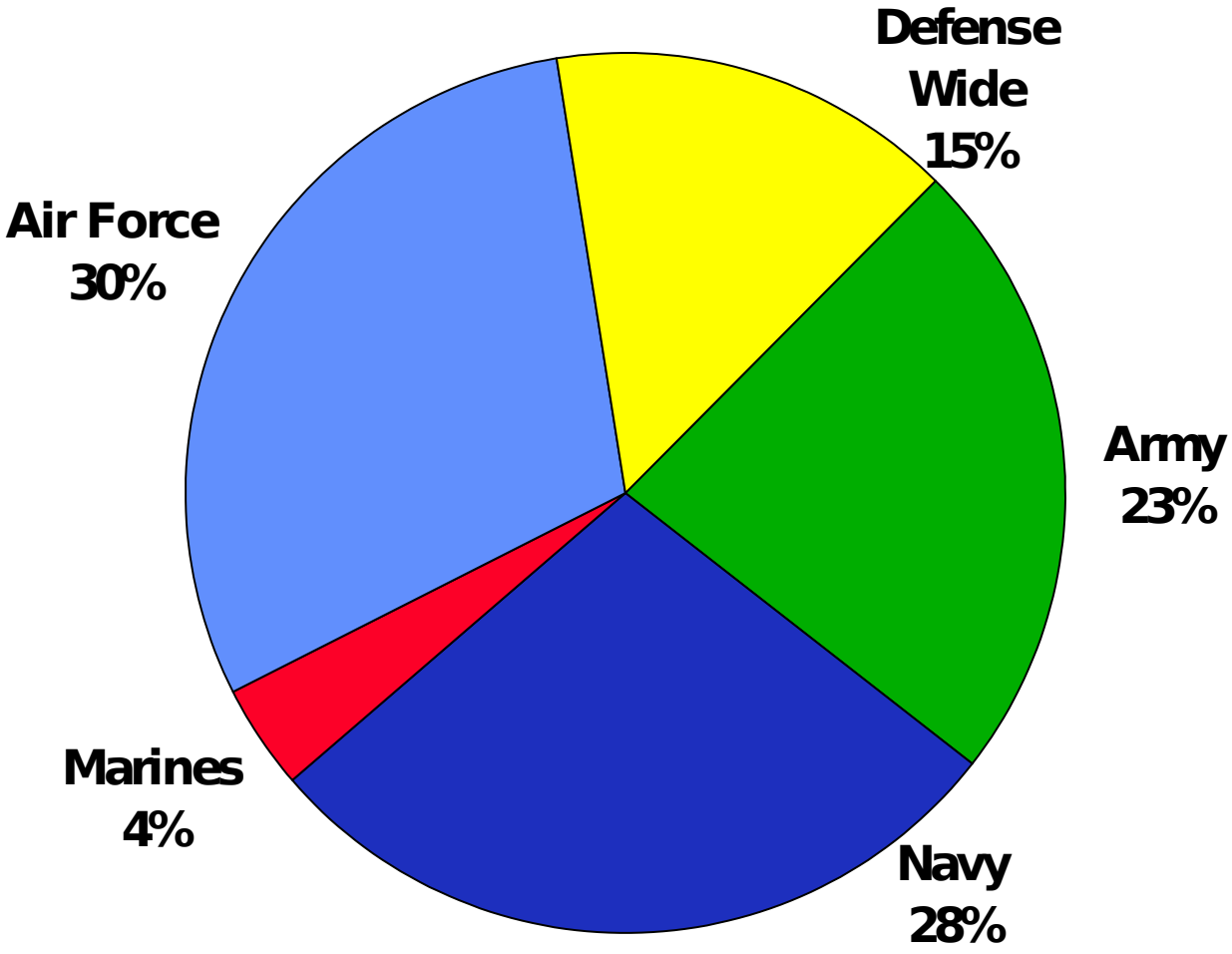
Takeaways

- Budget controls are fixed well in advance of budget details (requirements)
- Deficits generally drive down budget controls

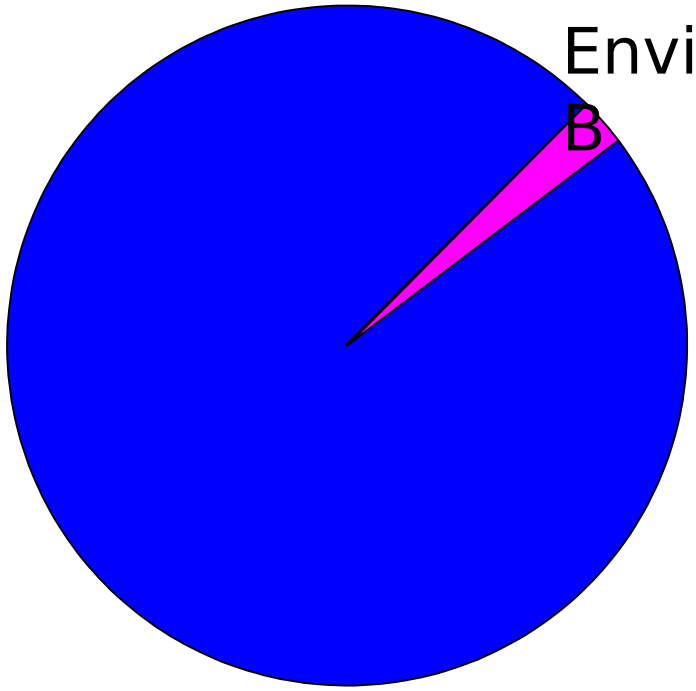
Part 2

The DoD Budget Process

Department of Defense
FY04 Budget = $380 B



Department of the Navy
FY04 Budget = $114.6 B



Budget/Spending Rules

- Can’t expend or obligate funds until appropriated or in excess of appropriation…Anti-Deficiency Act 31 U.S.C 1341
- Must be used for the purpose specified for that appropriation
- DoD has many appropriations – firewalls between must be maintained
  - O&M…environmental compliance
  - DERA…cleanup
  - MILCON…major construction & BRAC
  - RDT&E

BUDGET TERMS YOU SHOULD KNOW

- **Budget**…the President’s Budget sent to Congress for review/approval each Feb
- **FYDP**…Future Year Defense Plan…the next 6 years after the President’s Budget
- **POM**…Program Objectives Memorandum…process for reviewing the FYDP and making adjustments…where the action is…a food fight.

CURRENT BUDGET CYCLE

- **FY2006**…current year…appropriated…being expended
- **FY2007**…budget year…President provides to Congress for approval in Feb
- **FY2006-2011**…current FYDP
- **POM-2008**……reviews and adjusts FYDP every 2 years…POM-2008 plays out Jan-May 06
- **FY2008-2013**…next FYDP

What requirements must be budgeted?

- Those specified in *applicable* laws or regulations

What requirements should be budgeted?

- Executive Orders
- DoD Policy

Takeaways

- DoD Budget controls are fixed well in advance (~2 years) of budget year
- Requirements are scrubbed carefully during competition for fixed amount of funds

KEY ISSUE

What criteria triggers a "requirement" for expenditure of DoD funds, especially if unbudgeted?